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HUA GUOFENG REPORT TO FIFTH NPC ON WORK OF GOVERNMENT



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HUA GUOFENG REPORT TO FIFTH NPC ON WORK OF GOVERNMENT

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[Text] Beijing, June 25 (XINHUA)--Report on the work of the government (delivered at the second session of the Fifth National People's Congress on June 18, 1979) [by] Hua Guofeng

Fellow deputies,

I have been entrusted by the State Council to report to you on the work of the government and will now do so.

I. A Historic Turning Point

Fifteen months have elapsed between the conclusion of the first session of the Fifth National People's Congress in March last year and the convening of our present session. They have been fifteen months of united struggle, dynamic endeavor and outstanding achievement. Owing to the sustained efforts made during this period, the nation-wide mass movement to expose and criticize Lin Biao and the gang of four has in the main been completed, and marked success has been attained in putting the country in order with this movement as the key link. In accordance with the policy decision of the third plenary session of the Eleventh Central Committee of the Chinese Communist Party held in December 1978, the State Council has, since the beginning of 1979, shifted the focus of the work of the whole nation to socialist modernization. This is a historic turning point.

At the last session we assessed our achievements after the smashing of the gang. Since then, under the impetus provided by the third plenary session of the Eleventh Central Committee of the party at which the principles of emancipating the mind or "starting up the machinery," seeking truth from facts, and uniting and looking forward were laid down and a series of important political, economic and organizational measures adopted. We have multiplied achievements on all fronts in the course of implementing the tasks defined at our last session.

In the sphere of politics and ideology, the Chinese people, led by the Chinese Communist Party, have conducted conscientious investigations into the factional set-up of Lin Biao and the gang of four and have by and large crushed this counter-revolutionary political force which for ten years wrought havoc and brought the nation untold misery. Thanks to organizational readjustment in the party, government and army, leadership is now largely in the hands of cadres whom the people trust. The counter-revolutionary line of Lin Biao and the gang of four has been subjected to deep-going criticism in every field. The nation-wide discussion on the criterion of truth has helped to emancipate the minds of cadres and masses alike, speaking the mental chains fastened on them by Lin Biao and the gang and reviving and carrying forward the style of study long advocated by Comrade Mao Zedong, that is, the style of seeking truth from facts, proceeding from reality and integrating theory with practice. Numerous cases of people being unjustly, falsely and wrongly charged or sentenced when Lin Biao and the gang were in power have been redressed. Large numbers of cadres from the very top down to the grass roots and model workers, experts and people in all spheres of endeavor who had been persecuted have been or are now being rehabilitated. A series of major political issues of right and wrong which arose during the Cultural Revolution have in the main been clarified. The government has taken measures to carry out one after another policies which were either seriously distorted or thrown out by Lin Biao and the gang, policies concerning the cadres, the intellectuals, the nationalities, religion, Overseas Chinese affairs, former industrialists and businessmen, and former Kuomintang personnel who came over to our side.

The work of removing the rightist label from those designated as such has been completed, and most of those who were wrongly labelled have been rehabilitated. The work of changing the status of those landlords and rich peasants who have long engaged in labor and abided by the law is in progress. Unity among the people has been enhanced and broadened. Socialist democracy is being practiced and the socialist legal system is being improved. Democratic centralism and the style of work known as the mass line are being revived and carried forward in state organs at all levels and in grass-roots organizations. Thus we have eliminated the root cause of the prolonged political turmoil and splitting, and instead a lively political situation of stability and unity long yearned for by the people is becoming reality. The present political situation is totally different from what it was when Lin Biao and the gang of four were on the rampage. Moreover, in many respects, a spirit which is unprecedented has emerged as regards the democratic life of the nation and the emancipation of people's minds. And this new spirit is spreading.

In the sphere of economics, things have been rapidly improving since we repudiated the ultra-left line of Lin Biao and the gang of four, put into effect various correct policies laid down by the party and the government and formulated a series of new policies suited to present conditions. In 1978, our agricultural production suffered a succession of natural calamities, yet we still brought in a good harvest. Per capita grain output is the highest since the founding of the People's Republic, and total grain output reached 304,750,000 tons, an increase of 22 million tons or 7.8 percent over 1977. The output of edible oil, sugar, cotton and other cash crops increased markedly, compared with the previous year. The peasants and rural cadres responded warmly to the decisions of the Central Committee of the Communist Party of China on Some Questions Concerning the Acceleration of Agricultural Development (draft) and Regulations Concerning the Work in the Rural People's Communes (preliminary draft) adopted by the third plenary session of the Eleventh Central Committee of the party when these were relayed to the rural population. A jubilant mood, absent for years, prevails throughout the countryside. In 1977, the gross value of industrial output registered an increase of 14.3 percent over 1976, and in 1978 an increase of 13.5 percent over 1977. In those two years,

The output of steel went up from 20 460,000 tons to 31,780,000 tons, an increase of 55.3 percent;

Coal, from 483 million tons to 618 million tons, an increase of 28 percent;

Crude oil, from 87 million tons to 104 million tons, an increase of 19.5 percent;

Electricity, from 203 billion kWh to 256 billion kWh, an increase of 26 percent;

Chemical fertilizer (estimated according to effectiveness), from 5,240,000 tons to 8,690,000 tons, an increase of 66 percent;

Chemical fibers, from 146,000 tons to 285,000 tons, an increase of 95 percent;

And the volume of rail freight, from 820 million tons to 1,070 million tons, an increase of 30.5 percent.

With the restoration and expansion of production, our domestic and foreign trade and state revenues also rapidly expanded, and living standards in both town and country improved. In the last two years, the total volume of retail sales rose by 16 percent, that of imports and exports by 53.7 percent, and state revenues by 44.4 percent; the average income of the peasants across the nation, derived from the collectives, rose by 17.7 percent; and 60 percent of the country's workers and staff had their wages raised in varying degrees. In capital construction, a number of major projects are already completed and in operation and others are under construction. In 1978, housing newly built for workers and staff and already occupied totalled over 37 million square metres in floor space, an increase of 33 percent over the previous year. In the past two years we have made a good start at importing advanced technology and using funds from abroad and the results have been positive. Never in the past decade have we witnessed such a flourishing and gratifying situation on the economic front as a whole. We still face quite a few difficulties and many problems in our work remain to be solved, but compared with the grave situation in which we found ourselves immediately following the smashing of the gang of four, we have certainly achieved a lot in rehabilitating and expanding our economy. This is obvious to all; it is not easy to come about.

In the sphere of science, education and culture, the convening of the National Science Conference and the adoption of the draft outline programme for the national development of science and technology (1978-1985) have sparked fresh enthusiasm for the study of science and technology among scientists and technicians and among the youth and other people all over the country, and this has yielded initial results. The reform of our enrolment system for institutions of higher education and the criticism of the "two appraisals" concerning our work in education during the 17 years prior to the Cultural Revolution have promoted an over-all consolidation of educational work, swiftly remedying the chaotic situation created by Lin Biao and the gang, basically restoring order and bringing into play the initiative of the vast numbers of students and teachers. With the repudiation of the fallacy of the "dictatorship of a sinister line in literature and art," a host of good films, operas and other works, Chinese and foreign, long banned by Lin Biao and the gang, have again been made available to the masses; there has been increasing activity in the various branches of literature and art, and a number of good works welcomed by the masses have appeared. The prospect of a flourishing garden of literature and art where a hundred flowers blossom is already before us. Research in the social sciences, centering on the summing up of historical experience and the question of socialist modernization, is making steady headway, guided by the policy of letting a hundred schools of thought contend, and the interest shown by the masses in theoretical questions is at its keenest since the founding of the People's Republic. Our press, broadcasting, television and publications are developing in a lively manner. Major achievements have been attained in health work, physical culture and other areas of culture.

In short, the efforts made in the two years and more since the smashing of the gang of four have brought signal victories on all fronts, including the military and diplomatic, and fundamental changes have taken place in our country as a whole. At the Eleventh National Congress of the Chinese Communist Party and the first session of the Fifth National People's Congress, a general task for the new period was set, thus heralding a shift of emphasis in the work of the whole party and the whole nation to socialist modernization. Now, thanks to the unity and concerted efforts of the entire people, the time for this historic change has come.

Once the proletariat and the other working people have seized state power and established their political rule, economic construction must be given top priority. In the early years of the People's Republic, and especially after the basic completion of the socialist transformation of the ownership of the means of production, Comrade Mao Zedong pointed out time and again that economic work and technical revolution should become our central task. Under the brilliant leadership of Comrades Mao Zedong and Zhou Enlai we achieved major successes in socialist construction, while triumphantly carrying out the socialist transformation of the ownership of the means of production, socialist revolution on the ideological and political front and socialist education in the rural areas, and we rapidly transformed China into an industrial-agricultural country of some consequence. The rate of our economic progress in this period far exceeded not only that of the old China but also that of many capitalist countries at the time. While this was to a large extent due to the low level of development from which we started, such speed is certainly proof of the superiority of the socialist system. Of course, the level of our economic and cultural development is still far below that of the advanced industrial and agricultural nations. At the end of 1964 acting on the suggestion of the party Central Committee and Comrade Mao Zedong, Comrade Zhou Enlai formally put forward to the whole nation for the first time in his report on the work of the government delivered at the Third National People's Congress the grand concept of modernizing our agriculture, industry, national defence and science and technology by the end of this century, so that our economy could take its place in the front ranks of the world. However, owing to continuous sabotage by Lin Biao and the gang of four, the concept failed even to take shape as a detailed plan, to say nothing of being realized. At the Fourth National People's Congress in 1975, Comrade Zhou Enlai once again put forward this concept, and the gang of four once again rose in fierce opposition, throwing our economy into serious disorder. They did all they could to vilify and attack the idea of modernization, alleging that "capitalism will be restored the day the four modernizations are realized." Thus it is clear that we could not really effect the shift of emphasis in our work and embark on the four modernizations without first smashing the gang of four, crushing the counter-revolutionary forces of Lin Biao and the gang and liquidating their ultra-left line.

In the present period and for a considerably long time to come systematic and planned socialist modernization will be our main task. Whether we succeed or fail in our endeavour to modernize China by the end of the century will decide the future of our country and people. Led by the Chinese Communist Party and by the great leader Comrade Mao Zedong and his close comrades-in-arms Comrade Zhou Enlai and Zhu De and other veteran proletarian revolutionaries, the people of all our nationalities have, through more than half a century of arduous efforts and heroic sacrifices, carried out first the new-democratic revolution and then the socialist revolution. The fundamental aim has been to liberate the forces of production from the shackles of imperialism, feudalism, capitalism and the system of small-scale production and to expedite their growth so as to turn China into a modern, powerful socialist country and bring about steady improvement in the material and cultural life of the whole nation. Almost thirty years have passed since the founding of the People's Republic, yet to this day the superiority of socialism has not been consistently and effectively brought into play and we have achieved far less than we should have.

This has been due mainly to sabotage by Lin Biao and the gang of four but there were also errors in the guidance of our work at one time or another. Much time has been lost and we must speedily make up for it. We have finally created the internal and external conditions favorable for rapid, peaceful construction. If we do not make good use of this precious, hard-won opportunity, go all out and do everything possible to speed up socialist modernization, our generation will be unworthy of our country and people. We will have failed in our duty to the cause of socialism in China and the world, to our revolutionary martyrs and to posterity.

Thus the realization of the four modernizations, amid stability and unity, is in the fundamental interests of the people of all our nationalities. It is a matter which affects the well-being of the whole nation; it is the supreme political task for the present and for a considerable time to come. I believe that the current session of the National People's Congress will surely help to mobilize and unite the people of the whole country to work with one heart and contribute their utmost to the planned fulfilment of this historic task.

At this point it is necessary to say a few words about the class situation and class struggle in China, a topic of concern to all. Practice shows irrefutably that in our country (except for Taiwan) the feudal and capitalist systems of exploitation have been abolished and the system of small-scale production has been transformed through appropriate and reasonable measures favoured by the vast majority of the people, and that the socialist system, having undergone rigorous tests, has finally become firmly established. As classes the landlords and the rich peasants have ceased to exist. For historical reasons, the capitalists of our country constitute a part of the people. Our government adopted a correct policy of buying them out and successfully transformed the capitalist industry and commerce. The capitalists no longer exist as a class. After nearly thirty years of struggle and education, most members of these classes who are able to work have been transformed into working people earning their own living in socialist society. The masters of socialist society are the socialist workers, peasants and intellectuals and those other patriots who support socialism. There are contradictions of one sort or another among them but no conflict of fundamental interests, and the building and growth of socialism is to their common advantage. All this is the historic victory we have won, and it is an indisputable, objective fact. Of course, there are still counterrevolutionaries and enemy agents, criminals and political degenerates who seriously disrupt socialist public order, and new exploiters such as grafters, embezzlers and speculators. Remnants of the gang of four and of the old exploiting classes including the few unreformed landlords and rich peasants will persist in their reactionary stands and carry on anti-socialist activities in the political and economic spheres. What is more, class struggle at home is closely connected with class enemies of all kinds in China for a long time to come, and we must exercise proletarian dictatorship over them. Although they are few in number, we must under no circumstance relax our vigilance or lower our guard. Within the ranks of the people, the influence of bourgeois and feudal ideologies will continue for a long time. In face of these influences we must engage in long-term struggle and education. While carrying out the four modernizations, boosting our productive forces and raising labour productivity, we must continue to wage class struggle economically, politically and ideologically in correct ways so that "it will be impossible for the bourgeoisie to exist, or for a new bourgeoisie to arise." This, too, is an indisputable, objective fact. Starting from these two basic facts we maintain that we should uphold the following principles:

First, we recognize both that class struggle has not yet come to an end and that at the same time there is no longer any need for large-scale and turbulent class struggle waged by the masses, and therefore we should not try to wage such a struggle in the future. Both the view that class struggle has died out and the view that it should be magnified are at variance with objective reality at the present stage and consequently go against the wishes of the people of the whole country. According to Comrade Mao Zedong's teachings, the basic contradictions in socialist society are still those between the relations of production and the productive forces and between the superstructure and the economic base. They are, however, fundamentally different in character and have different features from the contradictions between the relations of production and the productive forces and between the superstructure and the economic base in the old societies. Under socialism, our fundamental task has shifted from liberating the productive forces to protecting and developing them under the new relations of production. The aim of the dictatorship of the proletariat is to safeguard the peaceful labour of our people as they strive to make China a powerful socialist country with modern agriculture, industry, national defence and technology. The present level of our productive forces is very low and falls far short of the needs of the people and the country. The realization of the four modernizations by the end of the century, the raising of our present low level of productivity to that befitting a modern nation and the consequent transformation of those parts of our present relations of production and superstructure which hamper modernization and the eradication of all old habits detrimental to it--these constitute the principal contradiction to be resolved, the central task to be performed by our entire people at the present stage to perform this central task, we must persevere in the dictatorship of the proletariat and in class struggle. But class struggle is no longer the principal contradiction in our society, in waging it we must centre around and serve the central task of socialist modernization. Of course in promoting socialist modernization the ultimate aim is to realize the great communist ideal of "from each according to his ability, to each according to his needs." I don't think there is any doubt on this score among the deputies present here.

Second, we recognize that in socialist society there are contradictions between the enemy and the people as well as among the people themselves and that these two kinds of contradictions must be rigorously differentiated and correctly handled. Contradictions between the enemy and the people are resolved by means of dictatorship while those in the ranks of the people are resolved by democratic means, through unity--criticism--unity. In the handling of either kind we must rely fully on the masses and abide strictly by the socialist legal system. Thus we shall be able to preserve revolutionary order--stability and unity--for a long time and prevent chaos which would hamper socialist modernization. Comrade Mao Zedong held that except for special, local and temporary instances, contradictions in socialist society, unlike those in capitalist society, do not find expression in acute antagonisms and conflicts but can be resolved by the socialist system itself. To bring the superiority of the socialist system into full play we must strive to raise the political consciousness of the people, and of the youth in particular, raise their level of Marxism-Leninism-Mao Zedong Thought, and promote socialist democracy and strengthen the socialist legal system.

All this we must do, and certainly can do. For the masters of our country and society, that is, the people and most of the working personnel entrusted by them with various responsibilities, including old, middle-aged and young, have acquired experience in many fields after having undergone the vicissitudes of the old society and the new. They know where the fundamental interests of their country lie and how these can be promoted and defended. They know too where the fundamental dangers lie and how these can be avoided or averted. We shall continue to improve and consolidate the socialist state system and the political system of democratic centralism, so that no minority will ever be able, by any means, to impose their will on the majority but will have to obey the majority and submit to their interests and will. Struggles over the past decade have shown that the four modernizations constitute the supreme interest of our country at the present stage and represent the unspeakable will of our people and youth, and that no force whatsoever can stop us and the next generation from working unswervingly to promote and defend the great cause of socialist modernization.

II. Win the First Battle for the Four Modernizations

Since the third plenary session of the eleventh Central Committee of the Chinese Communist Party, the State Council has made an over-all analysis of our economic construction and concluded that, on the basis of the solid achievements in economic recovery and growth during the past two years and more, the country should devote the three years beginning from 1979, to readjusting, restructuring, consolidating and improving the national economy in order to bring it, step by step, onto the path of sustained, proportionate and high-speed development. This is the first battle for the four modernizations which we must fight, following the decision to shift the focus of our work to socialist modernization. We must win this battle.

To modernize agriculture, industry, national defence and science and technology in a big country like ours with over 900 million people is a highly complex and difficult task. Further strengthening of the groundwork is an important pre-condition for smooth development later. Sustained effort over the years since the birth of the People's Republic has laid down the foundations for our industry. Much has also been done to develop agriculture in our country with its large population and limited arable land. The work of recovery and development in the previous two years has yielded results far in excess of our expectations. But the grave effects of the sabotage by Lin Biao and the gang of four cannot be eliminated in a short period. We did not take this into full account and some of the measures we adopted were not sufficiently prudent. The main problem now facing us is that our agricultural expansion cannot as yet keep up with the needs of industrial development, and at times cannot even keep up with the demands of a growing population. Many important products of the light and textile industries are insufficient in quantity, poor in quality and limited in variety, so there are not enough marketable goods. Although the coal, petroleum and power industries and the transport and communications services have grown at a relatively swift pace, they still lag behind what is required by our expanding economy. Co-ordination within and between industrial departments is lacking in many respects. In capital construction, far too many projects are being undertaken at the same time and many will not contribute to our production capacity for years. There are obvious shortcomings in the structure of our economic and enterprise management which seriously dampen the enthusiasm of their workers and staff, and of the enterprises, localities and central departments as a whole.

These shortcomings also hinder us from making better use of our manpower, equipment and circulating funds. Taking the country as a whole, 43 percent of our major industrial products turned out by key enterprises have yet to reach the best quality levels previously attained, and 55 percent have still to match the lowest past levels of consumption of raw and semi-finished materials. Twenty-four percent of our state industrial enterprises are run at varying degrees of loss. The facts just cited make it absolutely necessary that we concentrate our efforts within these three years on readjusting, restructuring, consolidating and improving our economy.

By readjustment we mean making conscientious efforts to rectify the serious disproportions in our economy caused by long years of interference and sabotage by Lin Biao and the gang of four, to bring about relatively good co-ordination in the growth of agriculture and light and heavy industries and of the various industrial branches, and to maintain a proper ratio between accumulation and consumption. Readjustment, restructuring, consolidation and improvement are interrelated and mutually complementary. But today it is readjustment that is crucial for the economy as a whole. For the three years of readjustment, we have set these major aims: (1) To achieve a relative correspondence between the growth of grain production and other farm and side-line production on the one hand and that of population and of industry on the other. (2) To achieve a growth-rate for the light and textile industries equal to or slightly greater than that of the heavy industry; to bring increases in major products of the light and textile industries into general correspondence with the rise of domestic purchasing power while greatly increasing exports. (3) To alleviate the current tense situation in the fuel and power industries and the transport and communications services by increasing production and practising economy. While increasing production in the metallurgical, machine-building, chemical and other heavy industries, to put the emphasis on better quality and more variety. (4) To resolutely narrow the scope of capital construction, concentrate our forces on major projects, improve their quality, reduce cost and shorten construction periods. (5) To bring about, on the basis of rising production, a further increase in the average income of all peasants from the collectives, and in the average wage of all non-agricultural workers and staff.

By restructuring we mean an over-all reform of the structure of economic management, carried out firmly and step by step. The trouble with the present structure is that in many areas and in varying degrees it violates objective economic laws. In the fields of production and circulation, in commodity production it overlooks the law of value, and in distribution it fails to implement properly the principle of "to each according to his work."

After exploration, experiment and practice over the coming three years, we must formulate a series of measures which will give industrial, agricultural, transport and communications and commercial enterprises the necessary power to make their own decisions and take initiatives in production and management in accordance with the needs of society, so that production will be closely linked on the one hand with supplies of raw and semi-finished materials and on the other with the marketing of their products, thus correcting the dislocations between supply, production and marketing. The principle "from each according to his ability, to each according to his work," must be effectively implemented.

The earnings of an enterprise and the income of its workers and staff must be commensurate with their contribution to the state. The egalitarian tendency in which no distinction is made between those who do a good job or a poor one and between those who do more work or less, must be resolutely checked. Various specialized companies and complexes of an entrepreneurial nature must be formed in a planned way after due preparation so as gradually to change the present backward state of many enterprises which, whether "big and all-embracing" or "small but all-embracing," are economically very inefficient, and gradually to change the out-of-date way of running the economy by many administrative organs that are unwieldy, overlapping and inefficient. Lastly, under unified leadership by the central authorities, the local authorities must be given greater powers in planning, capital construction, finance, materials and foreign trade so that they can play their part in the development of the national economy in ways suited to local conditions and in conformity with the requirements of socialized mass production and the principle of economic efficiency. Thus, the relations of production can become better suited to the needs of the growing productive forces, the superstructure to the needs of the economic base, and the superiority of the socialist system can be exploited to better advantage.

By consolidation we mean a resolute and effective shake-up in the existing enterprises, and especially those in which management is in confusion. To realize the four modernizations, new enterprises must certainly be built. But we must rely mainly on tapping the potential of the large numbers of existing enterprises, renovating and transforming them and enabling them to reach or approach modern standards. Let there be no wavering on this point. To this end, we must make a big effort to put existing enterprises in order. Within three years, each enterprise should have a leading body which is strong politically and vocationally and which includes technical experts who can really play their role; it should resolutely put into force a system whereby the director of a factory takes responsibility for production under the leadership of the party committee, so that both in name and in fact he really becomes the chief administrator directing production in the whole factory. We should restore and perfect those rules and regulations, adopted since the founding of the people's republic, which have all along proved effective. We should ensure a system of clearly defined job responsibility for every one from the top down in every enterprise, so that there is a person responsible for each link in the production process, and production and operation will be organized along rational, efficient and civilized lines. Unified national laws and rules governing enterprises should be successively enacted in the light of the experience and demands of the new period. Every locality and department must make concrete demands for rectification, with time limits on those enterprises which have failed in their management. If they fail to rectify well within the stated period, the leading bodies of those enterprises must be resolutely reorganized. Badly-managed enterprises which have shown deficits over a long period should reverse the situation and turn from deficits to profit within a year or must stop operation and undergo a shake-up; they will get no subsidies from the government or credits from the bank. We must see to it that after such consolidation all enterprises which have made a poor showing reach or surpass their previous best performance both economically and technically. Only in this way can our fairly large contingent of enterprises, built up through thirty years of hard work, fulfil the earnest expectations of the country and people, and lend real strength to our drive to realize the four modernizations.

By improvement we mean raising as much as possible the levels of production, technology and management. We shall see to it that those already running properly, including industrial, construction, transport and communications, agricultural, forestry, animal husbandry, fisheries, commercial and various service trade enterprises, take a big step toward modern standards, that is, to improve the quality of their products or services, develop new products, increase variety, reduce waste and consumption of material, raise labour productivity and make more effective use of capital. We shall see to it that economic managerial organizations at various levels, and persons working in this sphere, greatly improve their ability to organize and direct socialized mass production, raise their level of scientific management and vocational skills, and strive to become in due course experts in their own jobs. In three years, by learning from foreign countries, importing technology, and exerting our own efforts in innovation and invention, we should enable a number of enterprises in the main branches of the economy to adopt the world's advanced technology and employ it in key areas of production. In branches essential to the national economy and the people's livelihood, we shall build up a number of model enterprises that can set the pace in adopting modern management methods. In this way, our people will be able to see for themselves in real life the step-by-step modernization of more and more enterprises and its tangible results. This will pave the way for popularization and further improvement on a nation-wide scale.

It can thus be seen that the policy of readjustment, restructuring, consolidation and improvement is a necessary and entirely positive key policy to ensure China's steady modernization. Along with this policy, we shall carry out the policy already adopted of actively importing advanced technology and making use of funds from abroad. The view that this policy of readjustment is a negative retreat and the view that its implementation will lead to a termination of the importation of advanced technology are both wrong through and through. To do in three years all that is required by our policy will make extremely exacting demands on us. After this session the State Council will work out programmes for implementation one by one, make a determined and systematic effort to properly organize all our forces and go forward unswervingly towards our goal, striving for all-round victory in this major battle on our new Long March. Once this battle is won, we shall have relatively favourable conditions for gradually moving our economy onto the path of high-speed and proportionate development.

The State Council holds that, in the light of the above policy, our main task in developing the economy is to do successfully the following ten things:

First, uphold the guiding idea of taking agriculture as the foundation of our economy and concentrate effort on raising agricultural production. Agriculture is the foundation of our economy. If agriculture is gradually modernized in ways appropriate to the actual conditions of our country, it will provide a great deal of commodity grain, meat and other non-staple foods for China's urban and industrial population and an ever increasing quantity of cash crops and other raw materials for the light and textile industries and for domestic and foreign markets, and it will provide industry as a whole with a vast and ever more flourishing market. Furthermore, agriculture, industry and science, and technology will become more and more mutually supportive and move forward complementing each other.

For the step-by-step modernization of our agriculture, we should first of all bring into full play the initiative and creative spirit of our 800 million peasants and the superiority of the collective economy, continue to promote the spirit of self-reliance and hard work, and strive for sustained big increases in agricultural output. Liquidation of the pernicious influence of the ultra-left line of Lin Biao and the gang of four should go on; the three-level ownership by the commune, the production brigade and the production team, with the production team as the basic accounting unit, should be stabilized; the rights of ownership and of decision-making by these three levels should be respected and protected; various systems of responsibility which suit local conditions, promote production and strengthen the collective economy should be introduced; the principle "from each according to his ability, to each according to his work" should be strictly enforced; commune members should be allowed to farm small plots for personal needs and go in for household side-line production; and legitimate trade at village fairs should be permitted. Practice over the years has shown that these basic policies meet the aspirations and interests of the peasants and help to boost the productive forces in agriculture. Hence, the State Council is of the view that they should remain unchanged for a long period and be enforced without fail throughout the country, allowing of no violation. While upholding these rural policies, the government will increase agricultural investments and credits, appropriately raise purchase prices of farm and side-line products, reduce or remit the agricultural tax in places where economic conditions are poor and reduce or remit the tax on enterprises run by communes, reduction brigades and production teams.

It will also give greater material and technical support to agriculture, develop agro-scientific research and popularize agro-technique, continue to promote the mechanization of farming, and speed up the building of commodity-grain production bases, state farms, forestry centres, livestock farms and fishing grounds. The proportion of government investment in agriculture has increased from 10.7 percent in 1978 to 14 percent for 1979, and counting all other funds used in agriculture, the total figure comes to 17.4 billion yuan. Appropriate increases are also expected in the next two years. Agricultural departments at all levels, and rural communes, production brigades and production teams should strive to improve management so that the funds and materials for agriculture can be put to good use, with the best results.

Never have China's several hundred million peasants shown such enthusiasm for production. Now is the time to act and we should strengthen our organizational leadership and do a good job of planning agricultural development at the commune level and above. The State Council has already initiated a general survey of the country's agricultural resources and a study of regional programmes for agricultural expansion. All county governments should undertake to guide and spur the people's communes, production brigades and production teams to work out plans for the gradual modernization of commune farming, forestry, animal husbandry and fisheries. This should be done in accordance with local conditions and through democratic discussion by the commune members. On this basis, county, provincial and national programmes for agricultural modernization will be formulated successively through the striking of an over-all balance and, with the co-operation of the departments concerned, will be implemented step by step and in a down-to-earth manner.

We must **forge** ahead with farmland **capital** construction, increase the acreage with high and stable yields, and reclaim wasteland in a planned way; promote afforestation everywhere and effectively protect and rationally exploit lumber resources; open up and develop pastures and improve livestock breeds; protect aquatic resources and develop marine fisheries and sea- and fresh-water breeding; adopt varied means suited to local conditions to spread the rural use of methane gas; utilize local resources fully and in accordance with the principle of economic rationality and promote enterprises run by communes, production brigades and production teams so as to bring about a general upsurge in farming, forestry, animal husbandry, side-line occupations and fisheries. In this way, agriculture, the foundation of the national economy, will be more rapidly strengthened, and our 800 million peasants will become well-off more quickly.

After its trial application, the regulations concerning the work in the rural people's communes (preliminary draft) will be submitted to the third session of the Fifth National People's Congress for examination and adoption in 1980.

Second, adopt resolute and effective measures to speed up the growth of light and textile industries. Light and textile industries require relatively small investment and bring quick returns. Their expansion can satisfy the daily needs of the people and of foreign trade and accumulate funds for modernization. We must take resolute and effective measures to change their present backward state. Supply of fuel, power and raw and semi-finished materials necessary for their production must be guaranteed. In 1979, the state has increased the proportion of its investment in these industries and has allotted more foreign exchange for their growth, and there will be suitable increases in the future. The light and textile industries should make the most of these funds to get the best results. The construction of key modern enterprises in these industries must be stepped up and they must go into operation on schedule. Meanwhile, greater efforts must be made to renovate and transform existing enterprises, tap potentials, raise production, improve quality and increase variety. We must strive to turn out large numbers of top-quality, brand-name products to meet market needs at home and abroad. We must give stronger leadership to the handicraft industries and bring into full play their role in making goods for daily use, as well as art-handicraft products. Many heavy industrial enterprises, while redoubling their efforts to provide increasing amounts of equipment and raw and semi-finished materials for light industry, should make use of all available conditions to turn out high-quality articles of daily use which the domestic and foreign markets require. After producing military supplies of the required quality and quantity, the defence industries should also strive to turn out more products for civilian use, especially consumer durables.

Third, effectively overcome the weak links in our economy: the coal, petroleum and power industries, transport and communications services, and building material industry. In order to make good the acute shortages in fuel and power supply as soon as possible, we must ensure that increases in production go hand in hand with thrifty use. The coal industry must overcome the present tension or even imbalance between excavation and tunnelling in some coal pits, do a good job of technical transformation of existing pits and speed up the construction of new ones.

In the petroleum industry, geological survey and prospecting must be stepped up and more oil deposits found so as to maintain a rational balance between extraction and reserves. In the power industry, existing generating installations must be supplemented and equipment improved, the building of new power stations must be hastened, and, besides the building of thermal power stations, more hydro-power stations must be built. All industries and trades, on their part, must reduce consumption of material, save energy and put an end to waste. This is, and will be for some years, the most important and surest means of removing the pressure on fuel and power supplies. Every means should be used to get the best results resolutely and promptly, with careful calculation and strict budgeting, and with appropriate rewards and penalties. The government will enact unified regulations concerning the allocation and supply of electricity, and plans to formulate as soon as possible an energy act. According to a rough estimate by the departments concerned, our industrial enterprises and transport and communications services waste about 20-30 billion kWh of electricity and tens of millions of tons of coal each year. We now call on all regions and departments to save 2-3 percent of the coal and electricity and 5-10 percent of the petrol allotted to enterprises this year. This can certainly be done if we make the effort. The State Council requires that planning commissions at all levels size up, strictly and responsibly, the supply situation in fuel, power, raw and semi-finished materials, strictly review and control the setting up of new enterprises; and firmly halt the operation of those enterprises which, producing low-quality, overcostly or unwanted goods, have long remained in the red. This will enable those enterprises which produce urgently-needed, good-quality, low-cost products and yield large profits to operate at full capacity so that our limited amounts of fuel, power, raw and semi-finished materials can be used rationally and more effectively. In transport and communications we must accelerate the technical transformation of the trunk railway lines to increase their carrying capacity; double our efforts to build new highways while transforming existing ones; speed up the construction of harbours; develop inland river transport; and strengthen the postal and telecommunications services. The building material industry must rapidly overcome its present backwardness, speed up growth and pay special attention to research in new building materials and their manufacture.

Geological work, another weak link in the chain, should be in the van. Exertions should be made to carry out geological survey and general exploration and prospecting of mineral resources and achieve better results so as to find resources of all kinds and provide geological data for our modernization.

In the metallurgical industry, the fluctuations and stagnation in iron and steel production, which had gone on for many years, were brought to an end in 1978. During the three years beginning from 1979, the stress should be on improving quality and increasing the variety and specifications, and earnest efforts should be made to improve smelting and rolling techniques, to produce more high-grade and alloy steels and to resolutely push the output of non-ferrous metals and steel products that are rare or in short supply. It is in these areas that the industry can make a greater contribution to the state.

To meet the needs of the developing economy, the machine-building industry should do its utmost to produce more high-grade machinery--urgently needed by the state to equip agriculture, light industry, the textile, mining, petroleum, power, metallurgical, chemical and building material industries--and to turn out more vehicles, ships, communication equipment, precision machine tools, large lathes and other equipment, and spare parts and fittings. The electronics industry has an important role to play in modernization and therefore must be vigorously developed.

Fourth, resolutely curtail capital construction and try to get the best results from investment. We must rationally arrange the scale of capital construction to accord with our financial and resource capabilities, concentrating our forces to accelerate modernization. All localities and departments should bear over-all interests in mind and resolutely halt projects not urgently needed at present or for which appropriate pre-conditions do not exist. This will ensure that those projects urgently needed by the country can be built and go into operation on time. Priority should be given to the construction of key projects in agriculture, light industry, the fuel and power industries, transport and communications and the building material and metallurgical industries, and proper arrangements should be made for construction in other sectors so that our economy will develop in a co-ordinated way. The siting of capital construction projects must follow a rational plan and maintain an over-all balance, for only thus can investment yield fairly good results; otherwise serious waste will occur. When actual construction on a project begins, it must follow strict procedure. We must resolutely discard such erroneous practices as starting construction or even putting part of a project into operation before the whole design is completed. Environmental protection must be taken into account in the construction of new projects, and the pollution problems caused by existing enterprises must be solved step by step. The vast army of workers and staff in capital construction should go all out, pool their wisdom and make concerted efforts to shorten building times, reduce construction costs and assure that all projects are completely up to required standards, and raise the proportion of increase in fixed assets to over-all investment. Units and individuals of outstanding achievement should be commended and rewarded. In short, we must overcome the serious waste in our capital construction so that our investments in it, which came from the hard work of all our people, can play a full and great role in our modernization.

Fifth, vigorously develop science, education and culture and speed up the training of personnel for construction. Limited in number, to start with, the ranks of our scientists, technicians and economic managerial personnel were further reduced by the prolonged wrecking activities of Lin Biao and the gang of four to the extent that there is at present a serious shortage of qualified young people in these fields. As we accelerate economic construction, we must step up the development of science, education and culture. We must continue to restore and strengthen the main scientific research institutes, set up a number of new ones, replenish the laboratories in a number of key universities and, while attaching importance to the study of basic theory, strive harder to solve pressing scientific and technological problems in our modernization programme. All economic departments and production enterprises should encourage technological innovations, develop scientific research and, provided it meets practical needs, adopt advanced technology in production and management to the greatest extent possible.

Intermediate and industrial experimentation and the spreading of technological benefits must be stepped up in a planned way. In education, we have done good work in the rectification of universities and colleges in the past two years, and we must make greater efforts to develop these institutions as well as senior specialized institutes. As for secondary school education, various types of vocational schools must be set up according to plan to fill the urgent needs of many fields in our socialist construction. Such schools will also help solve the employment problem for large numbers of middle school graduates. It is very important to press on towards the elimination of illiteracy and the universalization of primary school education. These tasks were on the point of completion when sabotage by Lin Biao and the gang of four set them back many years. We must rely on the leaders and the educational departments of the provinces, municipalities and autonomous regions to actively co-ordinate their efforts, overcome these difficulties in the way and pool their forces to accelerate the fulfilment of this task. Great attention should be paid to expanding nurseries and kindergartens and promoting pre-school education. Schools and colleges of all types and at all levels must make an effort to improve the quality of teaching. In the press, and in broadcasting, television, publishing, libraries, museums, the arts and literature, health and physical culture, concerted plans for a new expansion must be worked out to meet our growing needs in so far as our financial and material resources allow.

In order to raise the level of management and of technology in enterprises throughout the country, and the scientific and cultural level of the whole nation facilities must be provided for everybody to take part in spare-time educational courses while continuing at their regular work, or even to leave their posts for a period to attend scientific-technological, economic managerial and cultural courses. All departments and localities, and those enterprises which have the necessary conditions, should run various types of courses and study classes for the general training of all leading cadres, managerial personnel and technicians in rotation. Cultural studies and technical training for workers and staff members must be stepped up at the same time. There must be strict examinations at the end of study or training and the results should serve as an important criterion for judging the competence of trainees and whether they should be promoted or upgraded. This should be done in industry, transport and communications, and capital construction and also in agriculture, commerce, science, education and culture.

Sixth, continue to do a good job in importing technology, make active use of funds from abroad and strive to expand exports. Economic exchanges between countries and the import of technology are indispensable major means by which countries develop their economy and technology. It is all the more necessary for developing countries to import advanced technology in a planned way in order to catch up with those economically developed. In order to accelerate the four modernizations, while resolutely maintaining independence and self-reliance as our main premise, we must work hard to learn all that is worthwhile from foreign countries, selectively import advanced technology of which we are urgently in need, and not wall our country off from international exchanges. Both in the three-year period of economic readjustment and in subsequent years, we shall be taking energetic steps to develop foreign trade, expand economic co-operation and technical exchange with foreign countries and employ various appropriate means, current in international practice, to absorb funds from abroad.

This is a firm, important policy of our government. The "Law of the People's Republic of China on Joint Ventures With Chinese and Foreign Investments" has already been submitted by the Standing Committee of the National People's Congress to the current session for examination and approval, after which the State Council will work out regulations and specific measures concerning the expansion of economic and technological exchanges. What needs emphasizing is this? Planned import of advanced foreign technology and the use of funds from abroad do not stand in contradiction to our country's policy of readjustment, restructuring, consolidation and improvement over the next three years; they play important complementary roles. We must do a good job of importing advanced technology in order to strengthen the weak links in our economy and transform and improve our existing enterprises. If conducted in a rational way, our co-operation with foreign countries in production technology, compensatory trade and joint investment enterprises will promote the restructuring, consolidation and improvement of our enterprises. In actively importing advanced technology, of course, we must take the practical conditions in our own country into consideration, make over-all plans and proceed on the priority principle. While it is important to import the essential complete sets of equipment, it is even more important to bring in advanced manufacturing technology and skills. Under all circumstances, we must lay stress on organizing vast numbers of technicians and workers to study, assimilate and master advanced foreign technology. We must do a good job in China of manufacturing parts and accessories for imported equipment and constantly raise our own ability to produce industrial equipment; we must try hard to combine learning from foreign experience with our own creative effort. Only thus can we catch up with and surpass the world's advanced levels. In order to import more advanced foreign technology. We must raise our ability to pay, and here the major and most reliable approach is a vigorous expansion of exports. The group in charge of import and export under the State Council and the Ministry of Foreign Trade must supervise and help each and every department and locality to draw up short-term and long-term export plans, and must make conscientious efforts to broaden the variety of products, raise quality and improve design and packaging. Once a plan is mapped out, its implementation must be checked, and fulfilment as to quality, quantity and timing must be guaranteed. At the same time, we should make a big effort to expand tourism.

Seventh, adopt a resolute attitude and take active and steady steps to reform the structure of economic management. The restructuring of economic management concerns the national economy as a whole and is of enormous scope. On the basis of previous investigations and studies, the departments concerned under the State Council have produced initial drafts on several of the most urgent matters: Some trial measures for the enlargement of the power of decision of enterprises, trial regulations concerning rewards and penalties for workers and staff, a preliminary programme for reform of the financial system, regulations for the control of foreign trade and the sharing of foreign currency earnings, and measures for the step-by-step replacement of investment by bank credits in capital construction. I hope our deputies will suggest improvements to these documents. After this session, these reform measures will be tried out in various areas and then revised and published by the State Council.

At the same time, the State Council and the provinces, municipalities and autonomous regions will organize the departments concerned to carry out special investigations and studies on other matters relating to the restructuring of economic management, trying out reform measures at selected points and then quickly devising practical measures.

Eighth, preserve basic price stability; readjust those prices that are irrational, while strengthening price control. Prices must be kept basically stable; otherwise, there will be chaos in the economic life of our country. But wherever called for, timely readjustments should be made; otherwise production growth will be adversely affected. Earlier this year, the State Council decided to raise the purchase prices of main farm and side-line products such as grain, cotton, oil-bearing crops and pigs by a fairly big margin. This decision, which answered the longstanding wishes of our 800 million peasants, is certain to give a big and protracted boost to the development of agriculture, the improvement of market supplies and the rapid growth of the entire economy. From the point of view of the situation as a whole, this is beneficial to the whole nation. Though the purchase prices of farm and side-line products have been raised this year, the state has nonetheless tried its utmost to allocate funds for improving the livelihood of workers and staff and the urban population in general. But since the state's revenues are limited, the sums diverted for this purpose cannot be very large. These are the difficulties we face, and we hope our workers and staff and other urban inhabitants will understand. After raising the purchase prices of farm and side-line products, the selling prices of grain and edible oil have remained unchanged, but there will be appropriate adjustments in the prices for a number of other products in this category. The government will take necessary measures to increase the income of the workers and staff, and except for a very few families whose livelihood will unavoidably be slightly affected for the time being because they have more mouths to feed, the actual living standards of the great majority of workers and staff and other urban inhabitants will not suffer. We must take great care in these matters, for price fluctuations affect huge numbers of families. The scope and range of price readjustments must be strictly governed by the related regulations of the State Council. No locality or department is allowed to go its own way. Price control must be effective and increasing selling prices at will, or inflating them in disguised ways, is strictly forbidden.

Ninth, raise the living standards of the people step by step as production rises. This year, the income of the rural people's communes, production brigades, production teams and the individual peasants will increase by an estimated 13 billion yuan, as a result of higher purchase prices for farm and side-line products, reduction or remission of agricultural tax in some areas and expansion of agricultural production. This is historically unprecedented and such a big increase in a single year will certainly boost the peasants' labour enthusiasm, but will also considerably increase the task of the industrial and commercial departments and banks in meeting their demands for goods. Thus, the communes, production brigades and production teams face the important question of how to guide the peasants in using this money judiciously and in a planned way so that it is turned into a motive force stimulating the all-round flourishing of the rural socialist economy.

It is planned that a part of the urban workers and staff will receive a raise in their wages and salaries this year. The reward system will remain in force, so that those workers, scientists, technicians and cadres who have done a good job and contributed more to the state will be encouraged with commendations and material rewards. However, the handing out of bonuses without regard to merit must be corrected. The state will spend 3 billion yuan on building living quarters for workers and staff (exclusive of those constructed by enterprises themselves), and over 30 million square metres of housing will be completed. Local expenditures on developing public utilities, and cultural, educational, health and other welfare undertakings will also increase as compared with last year.

Employment is a prominent question at present. Because of interference and sabotage by Lin Biao and the gang of four, economic and other development in the past decade has been slow, and now the people waiting for work outnumber the available jobs. The government is very much concerned about their employment and livelihood and will make appropriate arrangements in accordance with the principle of over-all consideration. It will try to multiply the opportunities for employment by efforts to develop handicrafts, repair and renovation services, commerce, service trades, fish breeding and poultry farming, restaurants, tourism, urban public utilities, parks and public gardening and other undertakings that are needed and feasible, so that those waiting for jobs can be gradually and suitably placed. This year's plan is to employ over 7 million people in state-owned or collective-owned units, and to allocate a certain amount of funds to large and medium-sized cities to run service companies. Through many different ways, all those waiting for jobs will be organized in due course for vocational training or labour service. Valuable experience has been gained in these respects in a number of cities, and we should lose no time in spreading it to other parts of the country. As to those school-leavers who should go to the countryside, further efforts should be made to mobilize them to go, and the villages and other quarters concerned should make suitable arrangements for their well-being, take a keen interest in their studies and healthy growth, and earnestly encourage and help them to contribute their energies to building up our socialist countryside.

This year the government has made a big effort to improve the livelihood of the people and will continue to make appropriate arrangements to this end in accordance with financial and material resources possibilities. We are still confronted with many difficulties, and the many problems affecting the people's livelihood which have accumulated over the years cannot be solved at one stroke, but only step by step as production rises. We are putting the situation before our fellow deputies and the whole nation, and we are sure all will respond with understanding.

Tenth, continue to do a good job of family planning and effectively control population growth. In the 1970's, we have done remarkably well in bringing our population growth under control, yet the growth rate must be brought down still further. Since there was a bigger growth of population in the late 1950's and 1960's, the number of men and women of marriageable age will also show a marked rise in the last two decades of the century.

Further exertion in reducing our population growth rate in order to accelerate the four modernizations and foster the health and well-being of the whole nation is of strategic importance, and there must be no relaxation in this effort. We must conscientiously carry out ideological, educational and technical work as well as child care and health work throughout the country so that people can practise family planning willingly, safely and effectively. Practical measures should be taken to reward couples who limit themselves to a single child and gradually to institute social insurance for aged people who are childless. In the countryside the system of fixing the amount of distributed grain according to age should be adhered to and in the urban areas suitable measures in the allocation of housing and welfare of workers and staff should be adopted so that our social and economic policies are conducive to family planning. Correct measures will produce desirable effects. The natural population growth rate in Sichuan Province dropped from 29 per thousand in 1971 to 6.1 per thousand in 1978, while in Shanghai it fell from 7 per thousand to 5.1 per thousand. Their experience should be popularized in all urban and rural areas. This year, we must do everything we can to lower the country's population growth rate to about 10 per thousand and we must continue to lower it year by year in the future. By 1985, it should drop to 5 per thousand.

In addition to work along the ten lines cited above, the tasks for consolidating and improving our economy, of course, must also be strictly carried out.

Fellow deputies! Acting on the policy of readjustment, restructuring, consolidation and improvement, the State Planning Commission has revised the plan worked out last year for developing the national economy in 1979. The fulfilment and overfulfilment of the 1979 plan is of special significance since it is the first year of shifting the focus of our work and also the year of the 30th anniversary of the founding of our great socialist state. Let us all mobilize as one and immediately unfold nation-wide and in all trades and professions, a broad and deep-going movement to increase production and practise economy, with high output, fine quality, wide variety and low cost as its outstanding features. Let us also unfold mass movements for socialist labour emulation and for the raising of proposals for work improvement. Let us strive for the fulfilment and overfulfilment of this year's plan. All regions, departments and enterprises must do what they can to set clear targets and to adopt concrete measures to increase production and practise economy. In the movement to increase production and practise economy, leading government organs and leading cadres at all levels must set the masses an example, strengthen ideological and political work, and lead the whole people in keeping up the glorious traditions of plain living and hard work and building the country through diligence and thrift. They must lead them in emulating and fostering the revolutionary drive and self-reliant spirit pioneered by those hard-working trail-blazers, the people of Deqing and Dazhai. They must emulate and foster the indomitable spirit of our heroes in the self-defensive counter-attack against the Vietnamese aggressors, heroes who gave no quarter to the enemy, and who looked death in the face as they advanced and filled the breach left by fallen comrades. They must go all out and vie with one another to achieve top-notch results in the movement to increase production and practise economy and in the four modernizations.

All enterprises, establishments and administrative organs must promptly adopt every possible measure to practise economy and relentlessly combat such despicable exploiting class conduct as indulging in extravagance, waste and excessive feasting, giving parties and sending gifts to curry favour, ostentatious display and squandering state property.

Besides striving to perform its current work in various fields of economic development, the State Council is carefully studying the practical experience gained in the past two years and the actual conditions in China, and is, where necessary, supplementing and amending the original draft outline of the ten-year plan. At the fourth session of the Fifth National People's Congress to be held in 1981, the State Council will put forward the sixth five-year plan for the development of the national economy (1981-1985) and submit it for examination and approval. By that time, we believe, we shall be able to announce that the task of readjusting, restructuring, consolidating and improving the national economy has been crowned with triumph, and that our economy can develop more steadily and rapidly from then on.

III. Strengthen Socialist Democracy and the Socialist Legal System

Strengthening of our socialist democracy and socialist legal system is urgently needed for the sake of consolidating the socialist state system which is led by the working class and has as its masters the entire working people, for the sake of solidifying the political foundation on which the country can carry out socialist modernization in stability and unity, for the sake of bringing into full play the enthusiasm and initiative of our whole people in modernization and for the sake of ensuring that there are no further serious loopholes in our political system which can be taken advantage of by conspirators like Lin Biao and the gang of four in their attempts at counter-revolutionary restoration.

Socialist democracy is first of all a question of the state system in socialist countries. Socialist democracy, or people's democracy, implies that the entire people wield supreme power of running the country on the basis of the rights of ownership and disposal which they exercise in various forms over the means of production. This is an unshakable socialist political principle. Deviation from this basic principle is sabotage of the socialist state. We call the four modernizations China's socialist modernization because we are modernizing agriculture, industry, national defence and science and technology under socialism and not capitalism. Therefore, as a social process, our modernization in its aim, course, procedure and method has the hallmarks of socialism and, first of all, socialist democracy. That is to say, our modernization is inseparable from the needs, interests, wishes and efforts of the broad masses of the people. The Central Committee of the Chinese Communist Party calls on the whole nation to uphold the four fundamental principles in the course of modernization, namely, to keep to the socialist road, to the dictatorship of the proletariat, to the leadership of the Communist Party and to Marxism-Leninism-Mao Zedong Thought. None of these four principles can do without socialist democracy. Without a high degree of political democracy, without the pooling of the wisdom and efforts of the masses on the basis of such democracy, and without a high degree of such centralization as is necessary on this basis, there can be no sustained and proportionate development of the socialist economy at top speed and no four modernizations.

Only with full democracy can the people emancipate their minds, feel at ease and, as masters of their country, display a sense of responsibility, initiative, creative spirit, dedication and self-sacrifice. Only with full democracy will they generate the drive to study and solve the various problems of the national economy, to put forward every kind of practical and imaginative proposal and strive unremittingly to carry them out, and to make important innovations, inventions and discoveries which require great perseverance, so that our economy and culture can move rapidly forward. Only with full democracy can the masses criticize and supervise leading bodies and leading cadres so as to overcome bureaucracy and conservatism, promptly expose political degenerates, grafters and embezzlers, counter-revolutionaries and criminals, and consolidate the socialist cause and the socialist state. In short, the more socialist democracy develops, the better can modernization be achieved; and the more the cause of modernization advances and the higher the economic and cultural standards of society and the level of the people's political consciousness become, the healthier socialist democracy will be.

Since the first session of the Fifth National People's Congress, we have adopted a series of measures to strengthen democracy and the legal system. Not only have we removed most of the hard-core elements of the factional formations of the gang of four who rode roughshod over the people, we have also initiated the election of leaders at the grass-roots level in enterprises and establishments so that the democratic rights of the working people in managing state affairs and economic and cultural undertakings are being gradually expanded. We are striving to carry out the mass line in all fields of work, to promote the people's freedom of speech and to heed suggestions from various quarters and criticisms made responsibly and based on strong evidence and give them publicity in the press. We are strengthening the work of attending to the letters and visits from the masses and encourage the people to supervise the work of the government and its cadres at every level. As you all know, the drafting of laws which concerns the whole people is being speeded up under the sponsorship of the Standing Committee of the National People's Congress. The present session of the congress will discuss and adopt several important laws. After their promulgation the government personnel at all levels must uphold and resolutely enforce them. Moreover, the various government departments and local governments have been issuing certain rules and regulations in accordance with the spirit of the constitution and the law and will continue to do so.

It should be admitted, however, that our country has a long feudal tradition and is relatively backward economically and culturally and that in the past we did not do enough to appropriately publicize and practise democracy. Moreover, there are defects in our rules and regulations. In these circumstances autocracy, bureaucracy, love of privilege, the patriarchal style of work and anarchism are apt to spread. It was precisely this that gave an opening to conspirators like Lin Biao and the gang of four to usurp state power. Although they have been overthrown, their pernicious influence, as shown particularly in factional and anarchic tendencies, must not be underestimated. Grave defects in the structure and methods of our management still exist. In some regions and departments, the enthusiasm and initiative of the people are still held in check to varying degrees. Their democratic rights, freedom of the person and legitimate economic rights and interests are not always secure, and actions detrimental to socialist politics and economy and to the people's democratic rights and democratic centralism are sometimes not effectively restrained and investigated.

All this shows that we still have to make tremendous efforts before socialist democracy is given full play and becomes institutionalized and embodied in laws, public order and discipline. Since political democracy is essential to the four modernizations, it is our long-term policy to steadily expand and foster democracy and strengthen democratic centralism as we develop production and raise the standards of the people's material and cultural life, a policy which our government and cadres at all levels should unswervingly follow.

As far as government work is concerned, the expansion and fostering of socialist democracy means above all that leading cadres at all levels must genuinely understand that the people are the masters of the country while they themselves are only public servants whose task is to serve the people's interests by properly exercising the powers entrusted to them. The four modernizations are something entirely new. In order to make fewer mistakes and minimize damage to the interests of the country and the people, it is particularly necessary that we firmly act on Comrade Mao Zedong's teaching: "Shed the ugly mantle of pretentiousness and become a willing pupil." Every level of government must respect the masses and trust and rely on them and provide the political and material conditions for the people to exercise their rights to manage state affairs through various channels and means. We must hold ourselves responsible to the people's congresses at all levels, report to them regularly on our work, listen attentively to criticisms and suggestions from the people's deputies and give considered explanations and answers to their questionings. Governments at various levels must provide all possible facilities to ensure that the people's deputies can effectively perform their duties, such as making inspection tours and gathering the voters' opinions on government work. It is absolutely impermissible to conceal information from people's deputies or to lie to them. In regard to important decisions and important tasks in its day-to-day work, every government department, enterprise and establishment must try to pool the wisdom of the masses, gather rationalization proposals from all quarters and give particular attention to the role of those with expert knowledge and technical knowhow.

A draft of the organic law of the local people's congresses and local people's governments of the People's Republic of China, submitted by the Standing Committee of the National People's Congress, shall be examined at the present session. The implementation of this organic law is an important measure towards the broadening and developing of socialist democracy. The establishment of Standing Committees of the local people's congresses at the county level and above will not only greatly enhance the role of the local people's congresses at all levels, but greatly strengthen control and supervision over the local governments by the people. The change of the local revolutionary committees into local people's governments will substantially improve the independent work of all the local administrative organs. Following adoption of this organic law by the present session after deliberation, the local governments at all levels should carry out reorganization speedily in accordance with the resolution. During reorganization, the administrative structure must be simplified and the responsibilities of every post clearly defined so as to bring about much higher efficiency in our work.

In order to extend and foster socialist democracy, governments at all levels must attach great importance to raising the status of our minority nationalities and safeguarding and giving effect to their democratic rights.

Lin Biao and the gang of four committed many grave crimes against the minority nationalities and were responsible for many appalling cases of people being unjustly, falsely and wrongly charged or sentenced. Although most of these have now been redressed, we still need to work hard to heal quickly the wounds of the past, conduct a general and deep-going re-education in policies on the nationalities, and effectively strengthen the unity of our nationalities. Leading cadres in the minority nationality areas, and particularly leading cadres of Han nationality, must resolutely implement the policies of our party and government on the nationalities and religion, respect the customs and folk-ways of the minority nationalities, foster and promote cadres from among the nationalities and do all they can to bring about speedy recovery and growth in the economy and culture in these areas.

In order to extend and foster socialist democracy, governments at all levels must also attach great importance to elevating the status of women and youth and safeguarding and giving effect to their rights, and particularly the right to equal pay for equal work. Close attention should be given to constantly promoting outstanding women and young people of positions of leadership at all levels. Due to sabotage by Lin Biao and the gang of four, there are shortages in varying degrees of younger cadres qualified for leading posts. Therefore, it is a most pressing task for governments at all levels to stress the training and promotion of young and middle-aged cadres.

In order to extend and foster socialist democracy, governments at all levels must, moreover, attach great importance to strengthening democracy in the administrative departments and enterprises and establishments. We should introduce a system of workers' congress in enterprises, where leading personnel should make reports on work to the congress at regular intervals and listen to its view. We should popularize and improve the system of electing cadres. Leading members should be elected by the masses not only in the rural people's communes, but gradually at the basic levels in enterprises and establishments such as factories, mines and stores. Besides, elections should be gradually extended wherever they are needed and possible. In units where it is inadvisable to institute elections, opinion polls may be tried out at regular intervals (say, at the end of each year), as a method of mass assessment and examination of the work of leading cadres. These measures will help to promote outstanding people who are selfless, well versed in their work, highly efficient and able at organization to leading posts. On the other hand, they will help in promptly transferring to other posts or taking action against those leading personnel who are divorced from the masses, seriously neglect their duties, or even violate the law and discipline. We should make an extensive study of domestic and foreign experience and establish and improve systems concerning the examination, assessment, supervision, reward and punishment, removal, rotation and retirement of cadres. We must make a determined effort to abandon the "iron rice-bowl" practice under which no one needs to worry about his job because there is no checking on his performance, no distinction is made between those meriting rewards and those deserving punishments, and cadres can only be promoted but not demoted and can only be assigned to one place or unit but not another. We must strictly prevent our cadres, who are the public servants of the people, from becoming overlords sitting on their backs.

Leaders in government departments at all levels and in enterprises and establishments must heed the voice of the masses, have their well-being at heart and personally attend to the letters and visits from the masses. We should foster healthy tendencies and combat unhealthy ones by continuously encouraging the masses to expose errors and violations of the law and discipline by government departments, enterprises and establishments or by their personnel.

Democracy in its original sense means rule by the majority, and socialist democracy is rule by the overwhelming majority both in name and in fact, something without parallel in history. If the individuals or the few are not subordinate to the decisions of the many or to the discipline laid down by organizations genuinely representative of the majority and if organizations at the lower level are not subordinate to those higher up, that is not socialist democracy at all, but anti-democratic and anti-social behaviour that must be stopped and set right under socialist democracy. As there is still class struggle in our country and the pernicious influence of the factionalism and anarchism spread by Lin Biao and the gang of four has not yet been eliminated, governments at all levels should, in the course of promoting socialist democracy, do educational work among the cadres and the masses so that they will correctly understand and handle the relationships between democracy and dictatorship, democracy and centralism, and freedom and discipline.

It is necessary to combine democracy among the people with dictatorship over the enemy. These two aspects must not be confused or reversed, or separated from each other. Governments at various levels must at all times steadfastly protect the people and never exercise dictatorship over them. Within the ranks of the people, we must firmly implement the principle of three don'ts, i.e., don't pick on people, don't put political labels on people and don't wield big sticks, a principle repeatedly affirmed by Comrade Mao Zedong. We must encourage the free airing of views and strictly forbid the practice of making things tough for people who have voiced differing opinions as well as any other form of repression or persecution. As a matter of fact, adherence to people's democracy is the only way to unite the people in effectively combating the enemy and to consolidate the dictatorship of the proletariat. All conspiracies and acts of sabotage by anti-socialist elements must be resolutely suppressed; otherwise it will be impossible to safeguard socialist democracy and socialist construction. Naturally, in striking at the enemy, it is essential to be accurate, strictly observe the state legal system, avoid making mistakes as far as possible and promptly rectify them whenever discovered.

In handling the relationships between higher and lower levels and between the leadership and the masses within the ranks of the people, we must combine democracy with centralism and combat bureaucracy and anarchy. Of course, in accordance with democratic centralism, it is entirely necessary for leading cadres at various levels to make decisions of all kinds, basing themselves on facts and following the mass line, including decisions in day-to-day work that fall within the limits of their responsibility. Entrusting us with public office, the people want us to stand fast at our posts, be brave in shouldering our responsibilities, dare to combat indiscipline and inefficiency, strive to surmount all difficulties and work uncomplainingly and selflessly for the people. Such cadres are faithful fighters for socialist democracy and pillars of the socialist society.

The more such cadres we have, the more our socialist democracy will progress and the brighter our hopes for the four modernizations will be. On the contrary, nothing but infinite harm will be done to the people's cause if leading cadres shirk responsibility in the face of problems, are afraid of giving offence, slough off their duties, do nothing but eat three square meals a day or, in the name of democracy, engage in endless discussion without making any decision or take no action after decisions are made, so that everything gets lost in empty political talk and the odyssey of official papers. Such conduct is totally incompatible with the demands of socialist democracy, and it is one type of bureaucracy characterized by serious neglect of duty to the people. The other type is the placing of oneself above the organization, acting dictatorially, disregarding objective laws and messing things up by issuing subjective orders. Unless an implacable struggle is waged against these two types of bureaucracy, socialist democracy cannot possibly develop, the superiority of the socialist system cannot be manifested, and the enthusiasm of the people for modernization will be dampened. To remove these bureaucratic obstacles, we should adopt effective measures and firmly eliminate such unhealthy phenomena as overlapping organizations and the dilatory style of work. We should rigorously enforce, from top to bottom, the system of democratic centralism and the system of division of labour under collective leadership, and allow no one to make arbitrary decisions on important matters, lord it over others or shirk responsibility. As for those bureaucrats who have caused enormous damage to the interests of the state and the people through serious neglect of duty or malfeasance, it is essential to call them to account administratively, economically and legally.

Socialist democracy demands that we steadfastly defend centralized and unified leadership by the people's government, safeguard policies and decrees embodying the will of the people, uphold the authority of the leaders and managers executing their will and preserve the order in which work, production and the life of the people are organized. Without all this, socialist democracy cannot possibly be realized. The gang of four did its utmost to incite an anarchic trend of thought, rejected all necessary centralism and authority, and regarded actions that were harmful to the interests of the state and to the people's lives and property as the exercise of individual "freedom." In many parts of the country, beating, smashing and looting were perpetrated [and] assaults made on government offices and production and transport disrupted, resulting in terrible suffering among the people. The pernicious influence of anarchism remains at present an important factor in disrupting stability and unity. It is the archenemy of socialist democracy, an enemy which we must never forget. In order to consolidate stability and unity and develop socialist democracy, we must continue our resolute struggle against the scourge of anarchism in all its forms.

The unity of democracy and centralism is in a large measure the unity of freedom and discipline. A citizen should be protected by the government against any restraint in enjoying and exercising the rights to freedom of the person, of speech, correspondence, publication, assembly, association and religious belief, as long as he does not violate the Constitution or the provisions of specific laws based on it.

The full enjoyment of these freedoms by the individual is entirely consistent with his observance of necessary discipline. No individual freedom can be guaranteed without order and discipline of some kind. In essence the unity of freedom and discipline means also the unity of rights and duties. Marx put it well that there is no right without duty nor duty without right. Clearly, whoever wishes to enjoy personal freedom must respect the personal freedom of speech, must undertake to enjoy the right to freedom of speech, must undertake to refrain from mud-slinging and rumour-mongering, and whoever wishes to enjoy the right to work and to receive wages from society must observe labour discipline, obey managerial direction and act according to work rules. To enjoy rights and freedoms a citizen must fulfil his duty to society and to other people. This is the sole basis on which to define and enhance the public morality, public order and public interests in socialist society. Therefore, in safeguarding the rights of citizens and at the same time maintaining public order and work discipline, our governments at all levels are properly discharging their duties and have thus enjoyed the support of the whole people.

The overwhelming majority of our government personnel are good or relatively good. They work hard, observe law and discipline and serve the people as best they can. But there are some who think that obligations and discipline are laid down for the common people, while cadres, and high-ranking cadres in particular, have only rights without obligations and need not observe discipline. This is entirely wrong. It would mean a feudal, and not a socialist, order. According to socialist principles, every ordinary worker has his inviolable rights, and every leading cadre must fulfil his obligations and observe discipline. As a matter of fact, we cannot possibly expect the people to fulfil obligations and observe discipline if certain leading cadres are exempted from both. Although we eradicated feudal class rule long ago, malpractices left over mainly by the feudal order, such as the pursuit of privilege, "back-door dealings" and suppression of democratic rights, still remain to a considerable extent to this day. These malpractices gravely corrode the healthy organisms of our state departments, impair the flesh-and-blood ties between government and people and dampen the enthusiasm of the masses for socialism. Therefore, we must educate all government personnel in the need to abide by law and discipline, and we must warmly commend good people and (?good cadres) while waging a serious, persistent struggle against malpractices.

In order to wage this struggle effectively, we urgently need to perfect our socialist legal system with all speed. Apart from the laws and decrees to be enacted by the National People's Congress (?and its) Standing Committee, governments at all levels should formulate, within the scope of their powers, necessary rules and regulations with the force of law and require administrative organs and enterprises and establishments to follow them where applicable. Every effort should be made to perfect various systems, standards and procedures, and governments at all levels should widely publicize them so that, with supervision and support from the masses, they will be firmly adhered to. Only by setting an example in the observance of laws and regulations can our government departments and personnel truly arouse and lead the masses in resolute struggle against bad people and bad deeds that undermine socialist democracy and the legal system and harm the interests of the state and people.

Through strengthening socialist democracy and the socialist legal system and by intensifying the struggle against bureaucracy, factionalism, anarchism and malpractices, we will certainly be able to make further advances on the lively political situation of stability and unity and ensure that the workers, peasants, intellectuals and other patriots of all our nationalities can work with both ease of mind and drive, dedicating themselves to the great cause of socialist modernization.

IV. Oppose Hegemonism, Safeguard World Peace

As the movement to criticize Lin Biao and the gang of four deepened, the line in foreign affairs formulated by Comrades Mao Zedong and Zhou Enlai was implemented even better than in the past. Since the first session of the Fifth National People's Congress, China has opened up a new prospect in her international relations and scored remarkable successes in this field, holding high the banner of struggle against hegemonism and in defence of world peace. In the past year, Chinese leaders have visited more than 50 countries on the five continents. We have also played host to visiting leaders from more than 30 countries. These mutual visits have strengthened our ties of amity and co-operation with other countries. We have increased our trade with many of them on the basis of equality and mutual benefit, developed scientific, technological and cultural exchanges and co-operation, and signed a number of agreements on long-term trade and on cultural, scientific and technological co-operation. Contacts between the Chinese people and those of other lands have notably increased, enhancing mutual understanding and friendship.

We are pleased that the unity between China and other socialist countries has become closer and our co-operation with them in various spheres has developed further. Our friendship with many Third World countries in Asia, Africa, Latin America and other regions has been strengthened. Our good-neighbourly ties with many south and Southeast Asian countries have become stronger. Our relations with countries of Western Europe, North America and Oceania have also made marked progress. There have been major developments in our relations with Japan and the United States of America. A treaty of peace and friendship was signed between China and Japan last August, following persistent efforts on both sides. The treaty reflects the aspirations of the two peoples to live in friendship now and for generations to come and has laid a sound foundation for friendly and good-neighbourly relations between the two countries. China and the United States, after over two decades of estrangement and antagonism, established diplomatic relations on January 1 this year, thereby ushering in a new phase in their relationship. Both the Sino-Japanese treaty of peace and friendship and the Sino-U.S. communique on the establishment of diplomatic relations contain anti-hegemonist provisions, a fact of great significance in the world situation today.

The extension of our work and our achievements in this field have had a positive effect on the international situation. They have contributed to endeavours of the people of the world in opposing imperialism, colonialism and hegemonism, defending their own independence and sovereignty, and safeguarding world peace; and they have created favourable international conditions for China's socialist modernization.

The past year has seen big changes in the world situation which, viewed as a whole, is becoming more turbulent and tense.

The two superpowers are intensifying their rivalry for world hegemony, and the factors for war have continued to grow. Social-imperialism has become more adventurist. In Europe it has been steadily increasing its offensive military forces, threatening and blackmailing the West European countries. In Africa, the Middle East, the gulf area and south Asia, it has made use of agents, enlisted mercenary troops and resorted to infiltration and subversion and even incited armed invasion and military coups in its attempt to seize strategic areas and resources and control sea lanes with the aim of dominating these areas and throttling Europe by encircling it from the perimeter. In the same period, it has quickened its expansion in the Asian-Pacific region, where it has beefed up its naval and air forces, established and sought more military bases and continually flaunted its military strength. It has encouraged and assisted the Vietnamese authorities and even got directly involved in their assertion of control over Laos, their aggression against Kampuchea and their rigging up of an "Indochinese federation," in order to realize step by step its fond dream of an "Asian collective security system" with Indochina as the base area. The aggressive and expansionist pursuits of the greater and the lesser hegemonists in Indochina, far from being a regional matter, are part and parcel of social-imperialism's global strategy for world hegemony. A host of facts proves that social-imperialism is the main source of tension in the international situation today.

In this turbulent world, there have been new developments in the struggle of the people of all countries, first of all of the people of the Third World, against imperialism, colonialism and hegemonism and for political independence, economic and social progress and world peace. The broadly-based non-aligned movement is playing an important role in international affairs as a significant force against imperialism, colonialism and hegemonism. The peoples of Africa are resolutely combating foreign intervention, maintaining that African affairs should be solved by the Africans themselves. The peoples of southern Africa are persevering in their fight for national liberation, and imperialism, colonialism and racism are in a worsening predicament there. The peoples of the Arab countries and Palestine, seeking a comprehensive and just solution to the Middle East question, are struggling ceaselessly against the aggressive and expansionist policy of Israel and superpower rivalry in that region. The army and people of Democratic Kampuchea are carrying on, under extremely difficult conditions, valiant resistance against the aggression of the regional hegemonists and are striking repeated blows against Vietnam's aggressor troops. In face of the increasingly serious military threat from hegemonism, Western Europe and Japan are paying more heed to enhancing their defence capabilities to safeguard their security. The West European countries, too, are strengthening their economic alliance, political co-ordination and military co-operation. The people of all countries, waging struggles against hegemonism under different circumstances and in various ways, have contributed positively to the containment of hegemonist aggression and expansion and to the defence of world peace.

The defence of world peace against wars of aggression is the common aspiration and pressing demand of the people of all countries. Historical experience and today's realities both show that peace is not won by begging, war is not prevented by making concessions and often unprincipled compromises with aggressors only accelerate the advent of war. The SALT agreements can in no way check the arms race, much less fundamentally solve the problem of safeguarding peace. Only through a great deal of solid, conscientious work can the forces for war be checked effectively.

Such work includes: informing the people accurately about the danger of war to heighten their vigilance and prepare them for repelling aggressors; adopting effective measures and taking concrete steps to constantly upset expansionist plans of the schemers of war; and opposing policies of appeasement and taking tit-for-tat actions against the aggressors when necessary. We believe that it is possible to put off the outbreak of war so long as all the peace-loving countries and peoples close ranks and co-ordinate their efforts.

China has always pursued a policy of peace in foreign affairs and is making unswerving efforts to safeguard world peace, develop friendly co-operation between the people of all countries and promote the progress of humanity. We uphold proletarian internationalism and support all the oppressed nations and oppressed peoples in their struggles against imperialism, colonialism and hegemonism and for liberation and social progress. Adhering to Comrade Mao Zedong's theory of the three worlds, we will strengthen our unity with the proletariat and the progressive forces of the world, with the socialist countries and various Third World countries, and unite with all the forces in the world that can be united in a joint effort to oppose the hegemonist policies of aggression and war. We are ready to establish and develop relations with other countries to the basis of the five principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. China will never seek hegemony or strive to become a superpower. The peaceful reunification of Korea is of great importance to peace in the Far East. The latest four-point proposal put forward by the Democratic People's Republic of Korea for opening dialogue between the North and the South demonstrates once again that it is sincere in its search for an independent, peaceful reunification of the fatherland, and that there is no such thing as a "threat from the North." The Chinese Government and people resolutely support this major effort of the Korean people.

The aggression and expansion by the greater and lesser hegemonists in Indochina has made that area one of the hot spots in the currently tense international scene, and has focused the world's attention on the growing threat posed by them to the security of the Southeast Asian countries. We resolutely demand that the Vietnamese authorities withdraw all their troops from Kampuchea, stop their intervention, control, aggression and threats directed against neighbouring countries and put an end to the forced exodus of refugees they created. We resolutely support the just struggle of the Kampuchean people to safeguard their national independence, sovereignty and territorial integrity. We pledge full support to the proposal of the Association of Southeast Asian Nations to establish a "zone of peace, freedom and neutrality," and we support their measures to defend their national independence and regional peace.

We persist in our support of the just struggle of the peoples of the Arab countries and Palestine, and reaffirm that we will have no relations with the Israeli Government which has invaded the territories of Arab countries and refuses to recognize the sacred national rights of the Palestinian people. We are opposed to superpower shielding of and connivance with Israel as well as superpower sowing of dissension among the Arab countries; we are against the arrogant attitude of Israel in obstructing a comprehensive solution to the Middle East question.

Occupied Arab territories must be recovered and the national rights of the Palestinians, including their right to return to their homeland and establish their own state, must be restored. Only thus can the Middle East question really be solved. Such a solution depends on the great strength of the unity of the Arab people. We hope wholeheartedly that all parties of the Arab world will show mutual understanding, and rebuild their unity in the fight against the common enemy, and thus hasten their victory.

We resolutely oppose the colonialist and racist rule in South Africa and Rhodesia and firmly support the people of Azania, Namibia and Zimbabwe in their struggles for national liberation.

The Third World countries strongly demand that the old international economic relations be changed and a new international economic order be established. We are ready to join the other Third World countries in making sustained efforts to attain this goal.

We hold a high opinion of the policy of independence and not joining any bloc pursued by the non-aligned movement, and we support its just stand in opposing imperialism, colonialism and all types of foreign domination and hegemonism. A superpower has been doing its utmost to exert pressure on and split and undermine the non-aligned movement and change its political direction by machinations through one or two of its lackeys. We believe that through the joint efforts of the many non-aligned countries, the movement will uphold its unity, overcome outside interference and advance victoriously along its set course.

We hold that the development of economic, technological, scientific and cultural exchanges and cooperation among various countries on the basis of equality and mutual benefit will help to promote their friendly relations and preserve world peace. China will, as always, continue to develop trade and economic co-operation and technological and cultural exchanges with other countries according to the principle of equality and mutual benefit.

China and Vietnam were both victims of imperialist and colonialist enslavement and bullying in the past, and by supporting each other in their protracted revolutionary struggles the two peoples forged a time-honoured friendship. The Chinese Government and people have consistently done their utmost to preserve this friendship with the Vietnamese people. But the Vietnamese authorities, emboldened by support from social-imperialism, wantonly stirred up an anti-China, anti-Chinese campaign while pushing hegemonism in Indochina and Southeast Asia. They laid fantastic claims to our territory and committed flagrant armed provocations, severely jeopardizing security of China's southwest border. Driven beyond forbearance, we were forced to act in self-defence and make a limited counterattack. In spite of all this, we still stand for settling the issues between the two countries through negotiations and have proposed in the talks with Vietnam eight principles. Hegemony is the root cause of the strained Sino-Vietnamese relations and the deterioration of the situation in Indochina and Southeast Asia. This fundamental issue cannot possibly be avoided if Sino-Vietnamese relations are to be normalized. The insatiable hegemonism practised by the Vietnamese authorities in their relations with neighbouring countries not only is something intolerable to the Chinese people but also something the Southeast Asian countries and many other Asian and Pacific countries cannot turn a blind eye to.

Wouldn't calling for the normalization of Sino-Vietnamese relations while this issue remains unsettled be tantamount to calling upon China to work in the service of Vietnamese hegemonism? The Chinese people want to build up their own country as do the Vietnamese people after their thirty years of devastating wars. We would like to urge upon the Vietnamese authorities to treasure the long-term and fundamental interests of the Chinese and Vietnamese peoples as well as the fundamental interest of the Southeast Asian countries in peaceful coexistence, and give serious consideration to the eight principles proposed by the Chinese side so that the negotiations may yield fruit.

The establishment of diplomatic relations between China and the United States of America has opened up new vistas for their mutual relations. Cooperation and exchanges in various fields will further develop. We hope that the American side will strictly implement all the principles in the Sino-American agreement on the establishment of diplomatic relations, remove certain obstacles that hamper the process of developing our normal relations and refrain from any action harmful to the return of China's territory Taiwan to the motherland, so that Sino-American relations will continuously progress in a direction that conforms to the wishes of the people of both countries.

China and the Soviet Union were once friendly neighbours and the Chinese people have all along cherished friendly feelings towards the Soviet people. It is no secret to anyone as to who caused the deterioration of Sino-Soviet relations and where the threat along China's borders comes from. The Soviet leaders know very well how the damaged relations between the two countries can be restored to normal by deeds and not by any amount of words. When we declared that, after its expiry, we would not extend the Sino-Soviet treaty of friendship, alliance and mutual assistance, which had long ceased to exist except in name, we made a proposal for negotiations to solve outstanding problems and to improve the relations between the two countries; this once again clearly showed our principled stand. The Soviet Government has now agreed to hold negotiations and even expressed its willingness to include the anti-hegemonist principle in these negotiations. But has this changed the essence of the matter? Anti-hegemonism has its well-known objective meaning which brooks no arbitrary interpretation. Whether one is genuinely against hegemonism can only be judged by one's deeds. No ambiguity is permissible on this important issue of principle. The Chinese Government has all along adhered to principle and will continue to do so in the future. The prospects for Sino-Soviet negotiations depend on whether the Soviet Government makes a substantive change in its position.

China's socialist modernization requires an international environment of prolonged peace. Our defensive strength has always served the cause of world peace and our socialist construction. At times we were forced to do what we would rather not do, but the whole world knows that we have never asked for a single inch of other countries' territory, nor have we a single soldier stationed on other countries' territory. Of course, we will not permit others to occupy an inch of our land either. Faced with the present turbulent world situation, the Chinese People's Liberation Army must work hard to carry on and develop its fine traditions and adapt itself to new circumstances. It must intensify its military and political training and the education of its ranks in science and general culture, heighten its combat capability, actively participate in and defend China's socialist modernization, and strive to modernize our national defence on the basis of a modern economy.

Fellow deputies, Comrade Mao Zedong once said: "The unification of our country, the unity of our people and the unity of our various nationalities--these are the basic guarantees for the sure triumph of our cause." We must strengthen the great unity of the peoples of all our nationalities, [and] develop further the revolutionary united front of socialist labourers and patriots supporting socialism, which is led by the working class and based on the worker-peasant alliance. This united front is a very broad political alliance embracing the various democratic parties, our compatriots in Taiwan, Xianggang, (Hong Kong) and Aomen (Maccao) our countrymen residing abroad, and all those who love the motherland. We must bring into full play the power of the united front, mobilize all positive factors and unite with all forces that can be united so as to ensure the success of the glorious and arduous work of socialist modernization.

In the present fine situation both at home and abroad, as the people of the whole country are working with one will for the prosperity of the motherland, we constantly remember with longing our compatriots in Taiwan. Things are now very favourable for the return of Taiwan to the embrace of the motherland, and for the great cause of the reunification of the motherland. On January 1 this year the Standing Committee of the National People's Congress issued a message to compatriots in Taiwan, which proclaimed our fundamental policy on Taiwan's return to the embrace of the motherland. This policy expresses the fervent aspirations of the people of the whole country, the people in Taiwan included. We hope that the Taiwan authorities will comply with the aspirations of the people, get a clear understanding of the trend of events and respond positively to the call in that message and make valuable contributions to Taiwan's early return to the motherland, so that we can work together for the great cause of national construction--the four modernizations. We hope that postal, transport and trade relations between the mainland and Taiwan will be established and that exchanges in the spheres of economy, science, culture and sports will begin as soon as possible. People of all walks of life in Taiwan and compatriots from Taiwan residing abroad are welcome to return to the mainland for visits and to see their relatives and friends. We guarantee them freedom to come and go as they like, give them convenience and guarantee that they will be treated with courtesy. The door of the motherland always remains open to all patriots and to all those willing to revert to a patriot stand.

Fellow deputies, I have reported on the main work of the government in the past year and more and have set forth its major policies for future work. Now I submit this report to the session for your deliberation and approval. I hope that after the report has been discussed and adopted, all the deputies will inform the people throughout the country about the government's work and policies. That will be a great help to the government. You are the representatives of more than nine hundred million Chinese people. Your confidence in and support for the government will ensure confidence and support from the people of the whole country, and this will inspire us with inexhaustible strength and faith in our great struggle to build up and defend our motherland.

Let us unite as one, rally closely round the banner of Marxism Leninism-Mao Zedong Thought and the Central Committee of the Communist Party of China and march forward valiantly to turn China into a powerful socialist country with modern agriculture, modern industry, modern national defence and modern science and technology.

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